

# Merchant Services – A Primer

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**Brick & Mortar**



**On-Line**



Purchaser presents a Visa, MasterCard, American Express or Discover card at a register; or purchaser inputs the card information in an on-line shopping cart / gateway.

**Physical Card**



**Card Data**



Credit card is swiped at the register; or an on-line merchant accepts the card information through a shopping cart / gateway.

**Merchant**



The merchant sends the transaction to a merchant service provider / payment processor.

**Merchant Service Provider**



The merchant service provider verifies that the card is valid; and it is valid for the transaction amount (authorizes); and then settles (approves) the transaction and notifies the merchant.

**Merchant Acquiring Bank**



The merchant acquiring bank collects all of their merchants' transactions; and sends the charges through to the issuing banks.

**Card Issuing Bank**



The bank issuing the credit card accepts the charges from the merchant acquiring bank and sends back a credit for the amount of the transactions, less their processing fees.

**Merchant Acquiring Bank**



The merchant acquiring bank accepts the credits from the card issuing bank and sends the credit to the merchant's bank account.

The merchant acquiring bank accumulates and passes all fees on to their merchants – usually once a month. Merchant acquiring banks will also pass through (but not validate) American Express credits and charges as a convenience to their merchants.

**Merchant's Bank Account**

Merchant receives the funds in 1 to 3 business days.



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